

SIX YEAR OUTLOOK--Dollars in Millions

September 26, 2005

	2006	2007	2008	2009	2010	2011
Beginning Balance (General Fund-State)	824	868	894	564	213	(199)
Revenues						
BASELINE (September 2005 revenue forecast, 5% annual growth after 2007)	12,758	13,273	13,937	14,634	15,365	16,134
Money Transfers	130	87				
TOTAL REVENUE	12,888	13,360	13,937	14,634	15,365	16,134
<i>Biennial Total</i>		<i>26,248</i>		<i>28,570</i>		<i>31,499</i>
Expenditures						
Baseline Expenditures*	12,769	13,184	13,415	13,644	13,883	14,143
Pension Costs			205	259	357	389
K-12 Teacher/staff and Community and Technical Colleges COLA - Initiative 732 (2.7%, 2.2%, 2.0%, 2.0%)			99	207	304	404
State employee/Higher Education COLA (1.9%, 2.1%, 2.2%, 2.4%)** Implicit Price Deflator			45	96	150	211
Employee health insurance (state government, K-12, higher education) (10% per capita increase)			92	194	306	431
Medical Assistance (6% per capita increase; 3.5% caseload)			148	309	486	680
Continuation of Education Legacy Programs (Learning Assistance Program/Higher Education)			106	111	117	123
<i>Subtotal</i>	<i>12,769</i>	<i>13,184</i>	<i>14,109</i>	<i>14,820</i>	<i>15,603</i>	<i>16,380</i>
Estimated 2006 Supplemental Budget (potential caseload, other mandatory items)	75	150	158	165	174	182
TOTAL EXPENDITURES	12,844	13,334	14,267	14,985	15,777	16,563
<i>Biennial Total</i>		<i>26,177</i>		<i>29,252</i>		<i>32,339</i>
General Fund-State ENDING BALANCE	868	894	564	213	(199)	(628)
SUMMARY OF POTENTIAL BUDGET GAPS						
Potential General Fund-State Budget Surplus/Deficit (from projected ending balances)		894	564	213	(199)	(628)
Provision for General Fund-State Reserve			(300)	(300)	(300)	(300)
Potential Health Services Account Surplus/Deficit			(63)	(211)	(421)	(700)
Potential Legacy Account Surplus/Deficit		(9)	(11)	(24)	(31)	(39)
TOTAL POTENTIAL GAP		885	190	(322)	(951)	(1,667)

*BASELINE EXPENDITURE ASSUMPTIONS

Assumes enacted 2005-07 budget.

Based on June Caseload Forecast Council (CFC) forecasts.

Assumes all other programs grow based on OFM population cohort forecast, and CFC forecasts where applicable.

Assumes vendor rate increase based on Implicit Price Deflator (IPD).

Assumes 3% inflation for non-Medical Assistance DSHS health care related programs (Developmental Disabilities, Long Term Care, Alcohol and Substance Abuse, Mental Health).

Assumes average debt service growth of 6.5% per year over forecast period.

Assumes "all other objects" (excluding salaries, benefits, pensions, vendors) grow by IPD plus one-half associated caseload or population growth.

Pension funding does assume payment of unfunded liability, but does not include gain-sharing, which would cost \$186 million in 2007-09, and \$207 million in 2009-11.

** Does **NOT** include the one-time Fiscal Year 2007 1.6% salary increase in the base for future calculations per negotiated contracts and budget bill language.